



Cascade Natural Gas Corporation

NATURAL GAS SUPPLY OUTLOOK
2005-06 Winter

Presented By
Pattie Grable, Senior Director-Gas Supply

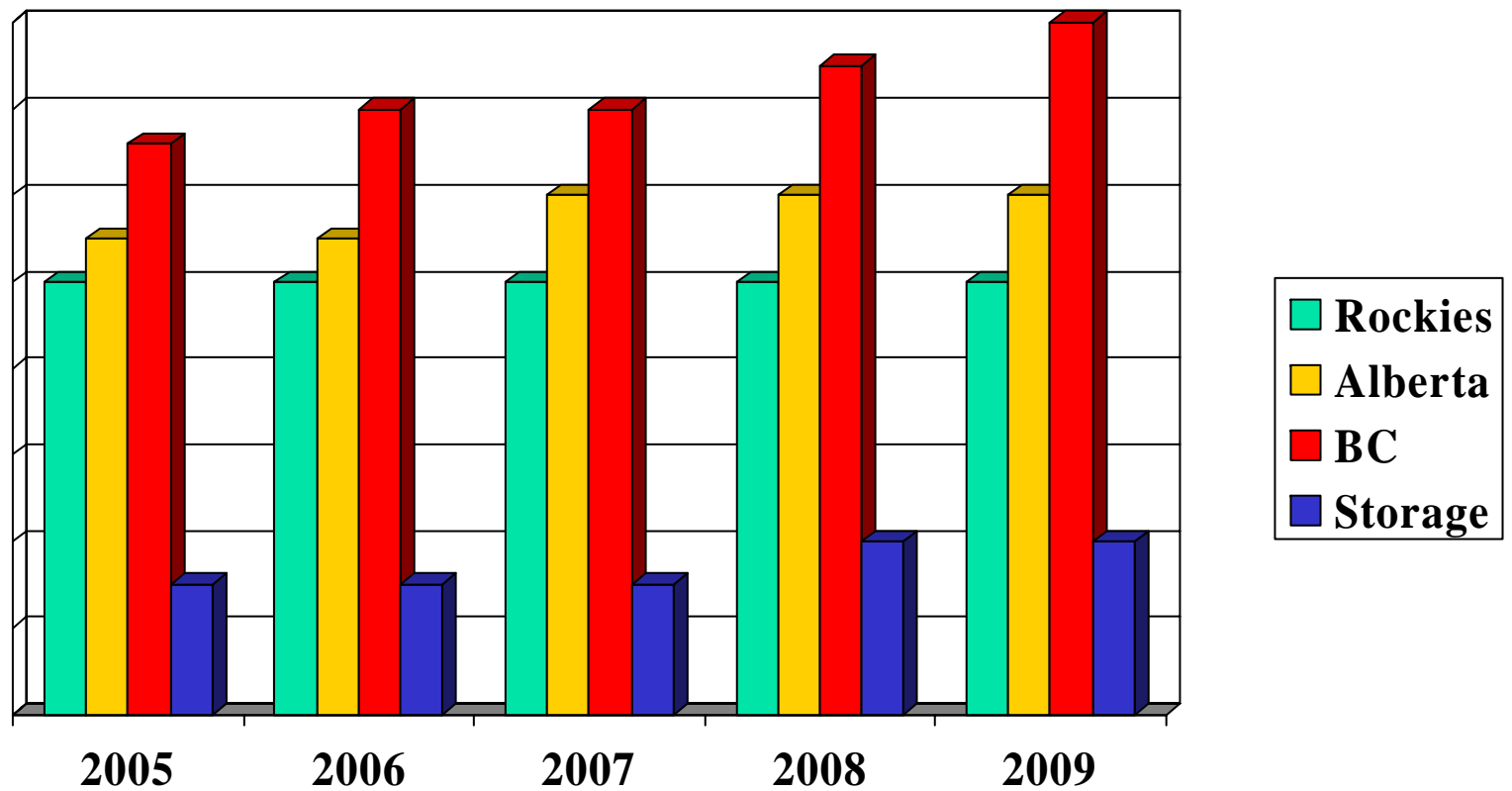
October 12, 2005



Cascade's Portfolio Design

- **Longer-term Physical supply and Capacity Contracts**
- **Diversified Pricing and Diversified Supply Basins**
- **Programmed Hedging with Financial Derivatives**
- **Winter Peaking Contracts**
- **Constant Focus on Demand (Needs Assessment and Demand Destruction)**

Diversified Supplies



Cascade Natural Gas 05/06 Winter Supplies

(Average Day Plan)

 Flowing
Supplies

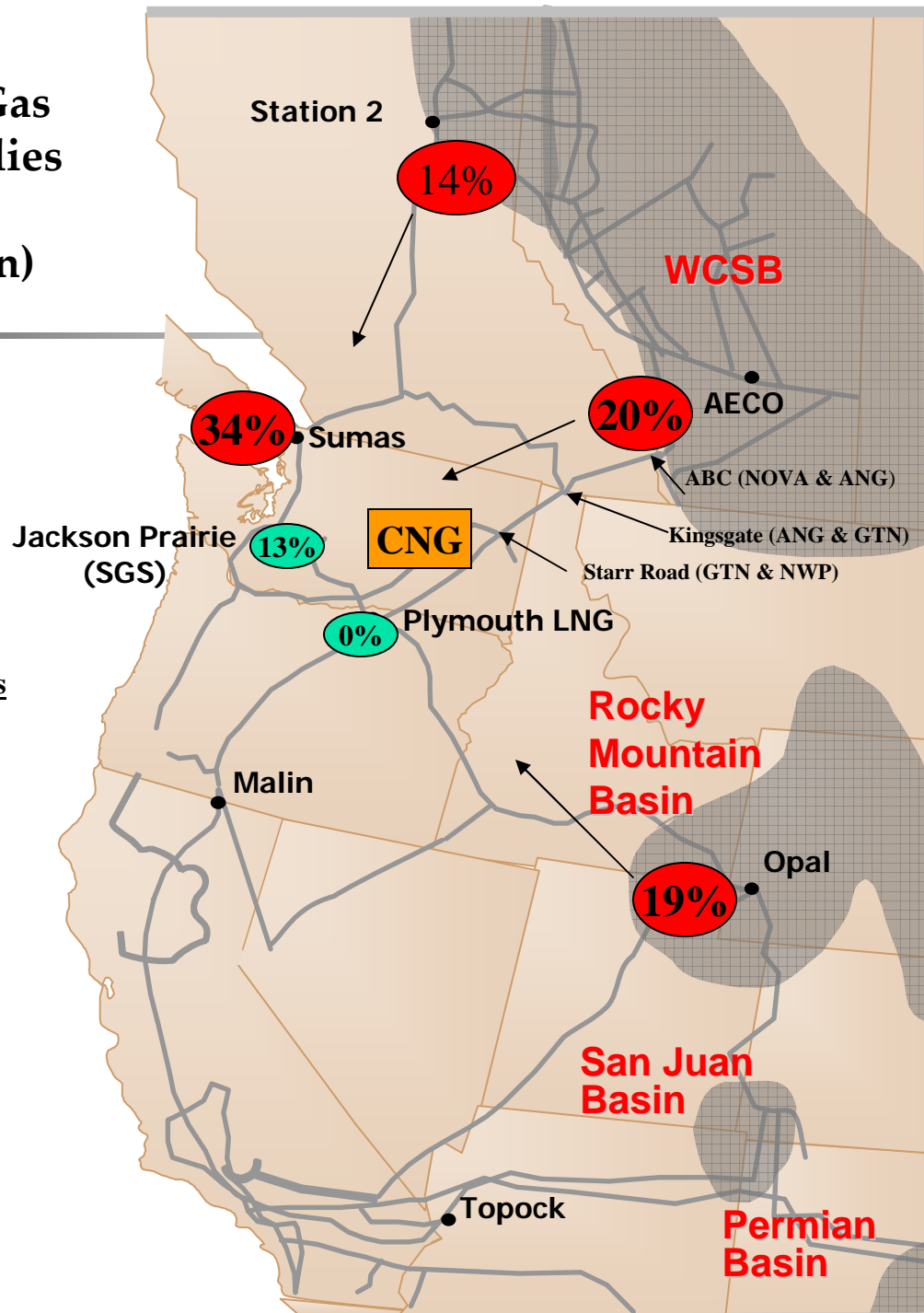
 Storage (SGS)

 Storage (LS)

Avg. Day Winter Supply Volumes
(MMBtu):

British Columbia	67,500
AECo	29,000
Rockies	27,000
Jackson Prairie (SGS)	19,000
Plymouth (LS)	0
<u>Total</u>	<u>142,500</u>

Assumes that storage is 100% full on Nov 1, and that it is ratably emptied in its entirety by Mar 31, 2006.



Cascade Natural Gas 05/06 Peak Day

(Peak Day Supply Plan)

 **Flowing Supplies**

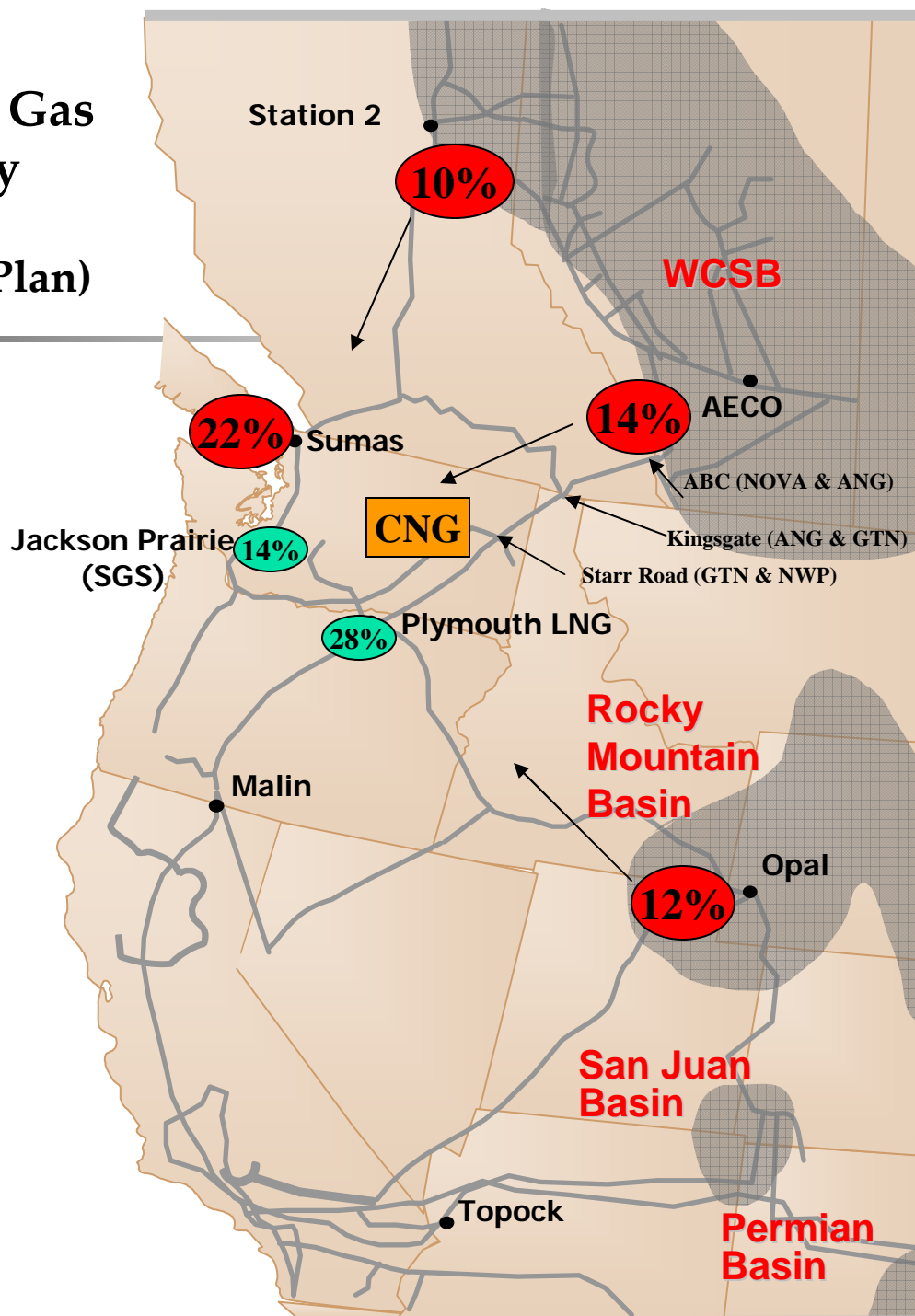
 **Storage (SGS)**

 **Storage (LS)**

Peak Day Winter Supply Volumes (MMBtu):

British Columbia	67,500
AECO	29,000
Rockies	27,000
Jackson Prairie (SGS)	30,000
Plymouth (LS)	60,000
<u>Total</u>	<u>213,500</u>

Assumes that storage is 100% full on Nov 1, and that it is ratably emptied in its entirety by Mar 31, 2006.





Cascade's Storage Inventory Levels

Deliverability

166,000 therms/day

- Jackson Prairie (SGS-01)
100% FULL @ Weighted Average
Inventory cost of \$0.58 per therm

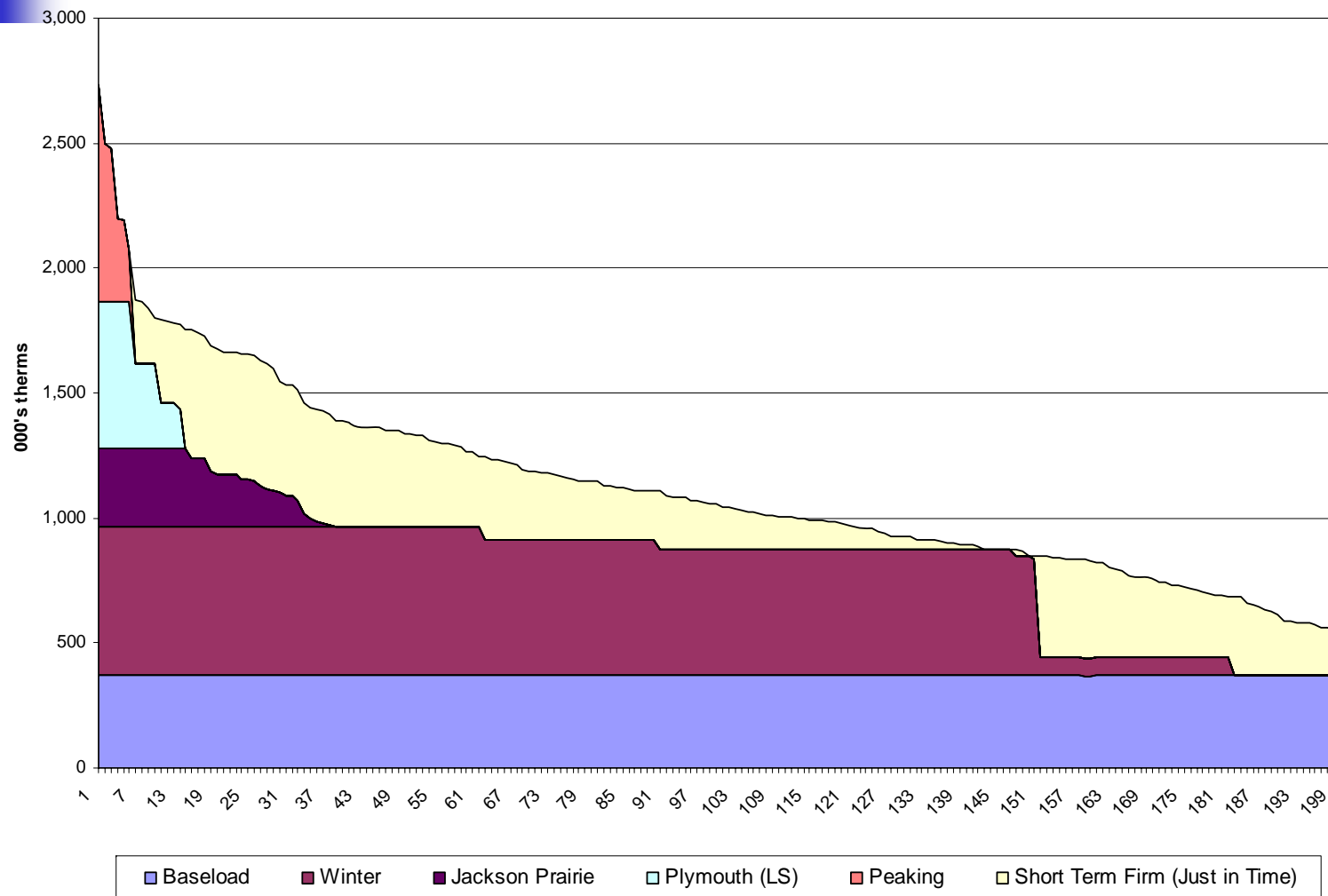
150,000 therms/day

- Jackson Prairie (SGS-02)
100% FULL @ Weighted Average
Inventory cost of \$0.59 per therm

600,000 therms/day

- Plymouth LNG
100% FULL @ Weighted Average
Inventory cost of \$0.66 per therm

Load Duration Curve





Peak Planning Criteria

- Sustained design-level peak events unlikely to occur based on most recent weather predictions:
 - NOAA temperature expectations indicate Oct-Dec close to normal for Washington, and Jan-March on the slightly warmer side of normal.
- Secure firm supply contracts flowing on firm transportation
- Firm peaking contracts are in place
- Storage facilities are full
- Curtailing of interruptible customers is always possible



Current Risk Factors

- **Price Volatility likely to continue for some time**
 - Linked to world demand for oil, as well as other sources of energy
 - North American Storage is still a Barometer
- **Expect difficulties in maintaining sufficient production levels in mature North American basins**
 - Concerns persist on the long term viability of the WCSB
 - Gulf of Mexico production problems
- **Upstream Pipeline Challenges**
 - Williams 26" Mainline
 - Possible constraints in the Rockies
 - De-contracting on Duke's BC Mainline
- **Possible Lateral Constraints - Shelton and Wenatchee Areas**



Contingency Plans for 2005-06 Winter

- **Strictly enforce operational scheduling guidelines**
- **Extended peaking agreements**
- **Recall released capacity, whenever required**
- **Mutual Assistance programs with upstream pipelines and other LDCs**